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R 272240Z MAY 08
FM AMEMBASSY ULAANBAATAR
TO RUEHC/SECSTATE WASHDC 2197
INFO RUEHBJ/AMEMBASSY BEIJING 6185
RUEHUL/AMEMBASSY SEOUL 3385
RUEHKO/AMEMBASSY TOKYO 3060
RUEHMO/AMEMBASSY MOSCOW 2277
RUEHOT/AMEMBASSY OTTAWA 0634
RUEHBY/AMEMBASSY CANBERRA 0292
RUEHNE/AMEMBASSY NEW DELHI 0189
RHEHAAA/NSC WASHINGTON DC
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEHC/DEPT OF INTERIOR WASHINGTON DC
RUEKJCS/SECDEF WASHINGTON DC

UNCLAS ULAANBAATAR 000243

SENSITIVE
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SUBJECT: OPPOSITION LEADER ELBEGDORG TO PEABODY ENERGY: NO POLITICAL
CONSENSUS ON MINING

REF: ULAANBAATAR 227

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1. (SBU) Peabody Energy's President for Northeast Asia, Mr. Tahir Tayeb, along with Peabody reps and Econoff, met on May 9 with the leader of Mongolia's opposition Democratic Party, Ts. Elbegdorj, and shared a copy of Peabody's draft study of recommendations for a framework for the development of Mongolia's coal industry. The recommendations had already been shared earlier that week with President Enkhbayar, who had originally requested the study, and Prime Minister Bayar (reftel).

2. (SBU) Elbegdorj thanked Peabody for its efforts and remarked that it was unlikely that any agreement on mining would be reached before elections in late June, as Parliament was already having a hard time rounding up a quorum. He likened the partisan bickering over mining to internal U.S. political disagreements over Mideast policy, saying "mining is our Iraq."

3. (SBU) He then asked Peabody for its thoughts on production sharing agreements (PSA) which some in Parliament would like to see included (or passed in lieu of) controversial legislation giving the Mongolian State 51% of strategic mines. Peabody, however, remained non-committal, saying PSAs could take any number of forms. Elbegdorj then revealed that an unnamed Indian metal company had offered US\$2 billion as an up-front payment for a one-fifth share in Tavan Tolgoi. (Note: The "un-named" firm is Arcelor-Mittal, whose chairman visited Mongolia recently. However, Post has not been able to confirm that Mittal made the offer. End Note.)

4. (SBU) Elbegdorj, a former Prime Minister, was optimistic of his party's chances in Mongolia's June 29 Parliamentary elections, saying the Democratic Party (DP) is now a free-market force that opposes governmental interference with business. He added that only 20% of DP party members now feel government should play a strong role in business.

5. (SBU) When Peabody talked about helping a recent delegation of high-ranking politicians from Missouri to solicit Chinese support to make St. Louis (Peabody's home) a transportation hub for

international trade, Elbegdorj dusted off his similar dream for Ulaanbaatar; a transportation hub in central Asia. Elbegdorj was interested in coal-to-liquid technology that could be used to refuel cargo aircraft landing in UB. Peabody discussed their involvement in such technologies, saying that it was feasible to use such fuel for aircraft.

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